

Message Text

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ORIGIN COME-00

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 EB-08
TRSE-00 GSA-02 CIAE-00 INR-07 NSAE-00 ITC-01 L-03
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R 082231Z SEP 77
FM SECSTATE WASHDC
TO AMEMBASSY BANGKOK
INFO AMEMBASSY LONDON
AMEMBASSY KUALA LUMPUR
AMEMBASSY JAKARTA
AMEMBASSY CANBERRA
AMEMBASSY LA PAZ
AMEMBASSY LAGOS
AMEMBASSY KINSHASA

C O N F I D E N T I A L STATE 215422

E.O. 11652: GDS

TAGS: EMIN

SUBJECT: INCREASE IN THAI ROYALTY RATE ON TIN

REF: A) BANGKOK 5622

EMBASSY REQUESTED TO MAKE REPRESENTATIONS TO THAI GOVERN-
MENT RE INCREASE IN TIN ROYALTY RATE ALONG FOLLOWING LINES:

-- AS WE UNDERSTAND NEW RATE STRUCTURE, THE AMOUNT OF
ROYALTY PAYABLE AT PRESENT MARKET PRICES HAS INCREASED
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SUBSTANTIALLY, E.G., AT RECENT PRICE OF 13,595 BAHT PER
PICUL, ROYALTY DUE UNDER PRESENT RATE STRUCTURE APPARENTLY
WOULD BE 4,397 BAHT OR 32 PERCENT OF TOTAL PRICE VERSUS
3,148 BAHT OR 23 PERCENT OF PRICE UNDER THE PREVIOUS RATES.
OF PERHAPS MORE IMPORTANCE, THE MARGINAL RATE (I.E., THE
RATE ON PRICE INCREMENT) HAS BEEN DOUBLED FROM 25 PERCENT
TO 50 PERCENT.

-- THE INCREASE SEEMS CERTAIN TO HAVE AN ADVERSE EFFECT ON TIN PRODUCTION AND ON INVESTMENT IN NEW TIN MINES IN THAILAND, AT A TIME WHEN TIN PRICES ARE WELL IN EXCESS OF THE ITC CEILING PRICE AND WORLD PRODUCTION IS LAGGING BEHIND CONSUMPTION DEMAND.

-- THAILAND'S ACTION IS ESPECIALLY REGRETTABLE IN VIEW OF THE RESOLUTION PASSED BY THE ITC DURING ITS JULY SESSION, URGING ALL MEMBER GOVERNMENTS "TO TAKE ALL REASONABLE ADMINISTRATIVE AND FISCAL STEPS TO PROMOTE FURTHER EXPANSION IN THE TIN INDUSTRY".

-- THE U.S. AND OTHER DELEGATIONS HAVE EXPRESSED CONCERN IN THE ITC ON A NUMBER OF OCCASIONS, INCLUDING THE JULY MEETING, OVER THE ADVERSE IMPACT ON PRODUCTION OF HIGH TAXES AND ROYALTIES ASSESSED IN SEVERAL PRODUCING COUNTRIES. THE INTENT OF THE ITC RESOLUTION WAS CLEARLY FOR PRODUCING COUNTRIES TO CONSIDER THE IMPACT OF TIN TAXES AND ROYALTIES ON PRODUCTION.

-- THAILAND'S ACTION IN RAISING ITS ROYALTY RATES EVEN HIGHER IS, IN OUR VIEW, CONTRARY TO THE SPIRIT AND INTENT OF THE ITC RESOLUTION, AND RAISES QUESTIONS AS TO THE SERIOUSNESS WITH WHICH THE THAI GOVERNMENT VIEWS ITS RESPONSIBILITIES AS A PRODUCER PARTICIPANT OF THE ITA. VANCE
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Copy: SINGLE
Sent Date: 08-Sep-1977 12:00:00 am
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